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# Thrift as a Family and Individual Problem

## Some Standard Budgets

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**T**HRIFT is a means to the best life for individual and family as it insures that considered use of resources which will promote well-being. There is a current idea that the thrifty man is stingy and penurious but rightly understood thrift means intelligence, forethought and plan in the use of resources, so as to promote personal well-being. In practice thrift calls for effective functioning on the part of the individual in the following economic relations:

1. As one who earns, by increasing skill or output so as to enlarge money income or its equivalent.
2. As one who spends, by studying one's present needs so as to secure goods and services bringing the greatest possible satisfaction at the least possible cost.
3. As one who saves, by examining one's future needs so as to set aside funds liberally for all its contingencies.
4. As one who invests, by considering the placing of savings so that they will grow by interest or by increase of value and yet so that principal and interest will be secure against loss.
5. As one who conserves whatever he has, by considering its wisest use so as to secure the greatest possible satisfaction from it, by avoiding waste, and by treating what is bought with money as though it had money's value. Thus there arises a five-fold

thrift problem of the individual and family as regards earning, spending, saving, investing and conserving.

### THRIFT AND INCOME

Thrift seeks to increase personal and family income, which fully considered involves several factors.

#### *Money Income*

Money currently received, whether from wages, salary, rentals, interest, or profits, is usually the only thing considered under the term "income," and these current money receipts are the most important element to consider in income. It is these which have attention in drafting a budget schedule of income and proposed expenditure which is, perhaps, the most efficient single measure for promoting personal thrift. Thrift asks certain questions concerning money income such as: Am I earning all the money I reasonably can? How can I increase my skill or output so as to receive more? Is there a possibility of additional money income not yet realized by members of our family? Ought we to be receiving an income on investments? Would it be economy to invest capital in education or special training to increase earning power?

#### *Real Income*

But "real" income, or the flow of satisfaction enjoyed from day to day, includes important elements not pur-

chased through current expenditure and meriting attention in any attempt to increase income. These additional factors in income include specifically:

(a) *Use-income*, or the equivalent of money income arising from the use of permanent consumption goods owned, such as the home and its furnishings, clothing, and other personal property, the pleasure car, etc. Thrift would seek to increase our use-income by asking and answering such questions as: Can we by directing expenditure toward better permanent consumption goods increase our real income through all the future? Shall we own our own home? Does it require different furnishings? What do we possess that our parents or grandparents by wise purchase secured as a satisfaction lasting for generations? Have we ever bought anything that similarly can be happily "handed down?"

(b) *Social income* received by individual and family through the use of goods and services furnished by the community and state, is another factor in "real" income. It includes such items as education, public health service, public recreation facilities. Some of these items are actually bought by expenditures in the form of tax payments, but many of them have long since been paid for, yet are still yielding social use-income to the individual and family. With regard to this factor in income, thrift asks: Do we realize the possibilities from available community services and goods, making them replace in part personal expenditures, for example, as regards music and books? Can the community supply us with other goods more cheaply than we can do it individually?

(c) *Labor income*, or the equivalent money value of unpaid services rendered by one's self and other members

of one's family, particularly by the housewife, is an important contribution to the real income of a family. It often increases by 100 per cent or more through household processes the value of materials bought for household consumption. A family is supported in reality often as much by the unpaid useful work of the household as it is by the money brought in by the outside wage-earner. Thrift raises such questions as these: Have we regarded this factor of income at its real value? Can its value be increased by better housekeeping skill, by an investment in better household working equipment, by training children to cooperate in the household? Or in families where there are no children, is it possible to increase the family income by reducing or eliminating the contribution made by the housewife's work and substituting for it wages which the one so employed might secure through outside employment? Is it possible to increase the income by taking on certain productive activities in connection with the household, as a garden?

In short, the principles of thrift applied to the problem of income suggest a critical examination of all sources of income whether in the form of money, or of money's worth. Such an examination can best be made by a written schedule listing sources of income and amounts now received, including not alone money income, but also use-income, social income and labor income. Such a complete income schedule is a useful thrift device, in and of itself; the items of money income will, of course, be carried over into the budget of income and outgo.

#### THRIFT AND EXPENDITURE

In an urban civilization money is given in exchange for practically all

satisfactions so that rational spending means rational living. Thrift in spending seeks to increase the satisfaction from the use of money having in view all the interests of life and its future as well as its present needs. Much spending is done in a haphazard way on the impulse of the moment save as income limits expenditure and the relative costs of food, clothing, housing, etc., force an adjustment of spending along certain lines. Thrift substitutes a plan based on foresight and a candid examination of needs for an impulsive ill-considered spending.

#### GENERAL SUGGESTIONS FOR EFFICIENCY IN SPENDING

*Written Budget Plans.*—The study of standards of expenditure as found in the experience of others is helpful. Engel stated certain economic laws of consumption, the more important of which are that the smaller the income the larger the proportion of it which must go for food and that as income increases food expenditure relatively decreases and the allowance for miscellaneous culture wants increases. A widely quoted American standard for middle class incomes is "the ideal budget" of the late Ellen H. Richards which allows one-fourth of the income for food, one-fifth for rent, one-seventh for household operating expenses, one-seventh for clothing and one-fourth for culture wants or the "higher life." In the appendix are printed certain suggested standard budgets, but the individual must remember that such standards are suggestive only and that he must work out his own best division of income. Written budget plans for expenditure are a natural result of studying standard allowances. They should be based upon all the available facts as to one's own past experience

in spending, modified by standard budgets so as to secure better distribution than one has been following.

*Written accounts of expenditure*, at least during periods of readjustment, are desirable. Needs for expenditure should have critical examination. The classical division of wants into necessities, comforts and luxuries gives a starting point. Another useful classification divides wants into those of self-existence, self-gratification, self-improvement and self-denial, or the provision for the future. Thrift would provide adequately for self-existence but only to a limited extent for self-gratification before making provision for self-improvement and saving. Future needs project themselves into the present whenever one thoughtfully considers the expenditure problem and lead to the provision for saving discussed below. Needs may well be classified also as regards the different members of the family group. For example, children need allowances for education, recreation, etc., and a nice allotment of available funds to meet the particular needs of each person in the family requires careful balancing of the factors involved.

*Intelligent direction of spending* will increase its efficiency. This function naturally centers in the housewife but often certain responsibilities may be wisely assigned to others. Increased special knowledge on the part of the spender is now possible when shopping information is available in printed form and courses in marketing are a part of extension teaching for adults. In a matter like the purchase of food, clothing, shelter and other goods in the market with which every individual has life-long contacts, it is astonishing that the general level of intelligence is not higher.

*Social organization for thrift in expenditure* is always possible and is being constantly tried in the form of neighborhood marketing clubs, coöperative stores and similar undertakings. As agricultural coöperation failed until the agricultural colleges began to train managers for shipping associations and other coöperative enterprises, so it is possible that consumers' coöperation will meet with success when better leadership is afforded. Economic conditions certainly favor such enterprises now as never before.

*Thrift in Special Objects of Expenditure*

The special objects of expenditure may well be examined in terms of the usual family budget divisions, food, clothing, shelter, household operating expenses and culture wants. Under each of these headings a few questions are given which may bring suggestions to the person reviewing his own expenditures with a desire of securing a better distribution of income and increased saving. Other problems will readily occur to such a person.

*In food expenditure*, thrift requires that the purposes of nutrition be adequately met, including the growth and maintenance of the body and the production of energy, and that this be done at a reasonable cost. It asks such questions as: Does each growing child have a pint or more of milk each day? Are necessary mineral constituents and growth-promoting vitamins provided? Is variety of diet guaranteed by including food from all five groups,—grain products, fruits and vegetables, meats, sugars and fats? Is there an adequate quantity to supply the calories for energy? Is there sanitary care and storage for food? Are there preventable food wastes?

Do finicky food habits add to cost? Is food cost reasonable? Is quantity buying followed where practicable? Are stores selected for economy as well as convenience?

*In clothing costs*, thrift promotes economy by such queries as these: Is clothing chosen so as to promote health and secure length of service as well as "for looks?" Does fashion increase clothing costs beyond reason? Have you found the economy of choosing fabrics of intrinsic quality and standard designs and garments made up in a moderate mode which permit their use through several seasons until their entire value is secured?

*In housing*, thrift stands for adequate provision as to space, light, air, arrangement of rooms for ease in house work as well as to meet the personal and social needs of the family group. It raises such questions as: Is there any better investment than owning one's own home? Are we spending unnecessarily for display in the house? Have the children's housing needs had as full recognition as the social standards of the adults?

*In household operating expenses*, thrift demands adequate heating, lighting, water-supply and housekeeping supplies. It justifies hired service where the housewife has other useful employment or is unable to do all the work. It raises such questions as: Can supplies be bought cheaper in quantity? Is the heating and lighting system efficient and economical? Is the telephone justified, and if so, is postage a cheaper substitute for many toll calls? Do the members of the household coöperate fully in reducing the burden of daily household tasks which come upon the housewife or her hired substitute?

*In culture wants*, thrift emphasizes

their importance as compared with material wants and asks full provision for education, for personal development and for health, and reasonable provision for physical and mental recreation, for necessary expenses for personal care and for incidental needs. But thrift asks: Are large personal indulgence expenditures justifiable? Do they not give special treatment for one or more members of the family as compared with others? Is special musical or art instruction to an ungifted person wise? Should recreation expenditures exceed cultural expenditures of the sort which, for lack of a better term, are called educational and ethical?

#### THRIFT AND SAVINGS

Saving may be simply spending in the future—setting aside present income for future concrete needs which overshadow lesser present concrete needs. Or, saving may accumulate a sum such that its income alone may be used in the future, or even the income from savings may itself be saved and invested. Individual savings as a matter of fact are in large part permanently invested and never spent so that savings are a large source of the nation's capital, but in individual economy saving is ordinarily abstaining from expenditure now in order to make possible later spending. You would rather have an income in old age than go to the theatre every night now and so potentially recreative expenditure is transferred to the retirement fund.

#### DEMANDS WHICH ENCOURAGE SAVING

Thrift requires a definite facing of the chief future demands for which present saving is desirable, a determination of the amounts necessary to be saved, and definite plans for regular

saving. Some of the chief needs for saving are the following:

*Family group life* brings occasional demands which call for previous saving, for example: the initial cost of setting up housekeeping; the special costs connected with children, their birth, their up-bringing, their education, launching in life and marriage; severe sickness of members of the family; care of dependent relatives; funeral costs.

*Life in industrial society* brings certain situations that require larger funds than current wages will supply and hence require saving. Such situations are entrance into trade or business; changing one's employment; interruption to earning through financial or industrial depression, through labor conditions, industrial accidents and other causes; the need of capital for use in independent enterprise, or industrial disability due to old age.

*Saving to pay debts* may be necessary: debts for past living expenses; mortgage payments on home or other real estate; payment of personal loans and debts as for education, sickness, etc. Debt paying in many cases is the obverse of saving. In saving we abstain from present spending to provide the cost of supplying future needs; in debt paying, we abstain from spending to provide the cost of supplying past needs. Debt paying for which one gets a permanent good in return, for example, paying a mortgage on real estate, is, however, really a form of investment. Saving for investment income may be undertaken for economic security, or to improve one's social condition by establishing a family fortune.

*Expensive consumption goods* may furnish the goal that stimulates saving, for example: buying a watch; expensive wearing apparel such as furs

or jewelry; special house furnishings, such as furniture of finer quality, pianos, phonographs, paintings, etc.; articles of recreation, bicycle, motorcycle, auto, horse, boat, guns and other sports equipment; special vacation expenditure as for travel, the purchase of the summer cottage; unusual gifts or contributions to church or philanthropic undertakings.

*A general reserve fund*, or saving for undesigned emergencies, is universally desirable. We have hit this need precisely by the old saw, "Save for a rainy day," and a modern philosopher has added, "Save, also, for the sunny opportunity." As a matter of fact everyone needs a reserve fund which is not pledged to any single need but is ready for any draft made upon it. Business men have come to recognize the absolute necessity of a reserve fund kept outside their regular business funds, usually invested in bonds, which can be used at once as collateral or cashed for funds in an emergency. The individual and the family need a similar reserve fund for it will contribute a sense of security and also the power to turn about in business affairs or in personal matters whenever the need may arise. The undesigned surplus or reserve should be the first great goal in saving. Its importance is not yet recognized by most people, but a moment's reflection shows the part it can play in living on a rational basis.

*Savings and Insurance.*—Some of the goals for individual or family saving are emergencies which can also be provided against by the joint method of insurance, for example, meeting the expenses due to sickness, or death. Sickness insurance is available, at rather high prices, it is true, for the person of small means; "burial insur-

ance" or industrial insurance at 5 cents or 10 cents or more a week per person is now carried for children and adults alike by large numbers of families in narrow circumstances, and unwisely so, many critics believe. Insurance, when available, is usually considered to be a more economical provision than that of saving,—but each case merits separate examination; it may be cheaper, for example, for the wage-earner to carry burial insurance on himself alone, and to substitute for insurance on other members of his family a general reserve fund in which he makes deposits weekly. Individual saving and individual insurance are supplementary protective measures, both of which must be applied by the individual family to secure adequate financial protection and progress.

*Social Insurance.*—Compulsory social insurance to be provided at the joint cost of employer, employe and the state will, we are sometimes told, make individual saving unnecessary. A comparison of the social insurance program, namely, protection against the "four fears," of accident, sickness, unemployment and old age, with the partial list of goals for saving given above, disproves such an assertion. The progressive character of human wants, which will develop new future needs as fast as old ones are provided for, gives further fundamental testimony that individual saving will always be necessary.

#### A PROGRAM OF SAVINGS

A thrift program of savings should be drawn up by each individual and family, preferable as a written memorandum, in which after honestly facing the above and other needs, a decision is reached as to amounts which should reasonably be saved for such and such

purposes to be available at such and such times. This should be estimated as a certain requirement per week or month which should thereupon be made the first charge upon income whenever the pay envelope or salary check is received. By establishing the habit of saving regularly and of setting aside the savings in a bank account or elsewhere before one begins spending, one can become a successful saver. "How much can I save?" An answer for incomes of various amounts and families of various sizes is suggested by the savings allowances which appear as the first item in the standard budgets given in the appendix. Saving is a habit easily made automatic. The fact that life insurance premiums are met with comparative ease by most people because they are a regular recurring charge points the way to success in saving. In family economy thrift in saving as in spending can often wisely be made a family problem in which all members of the family participate in making the necessary plans and helping in their execution.

#### THRIFT AND INVESTMENT

The successful investment of savings requires continued attention as well as does the accumulation of savings. A few points regarding thrift and investment may be suggested here:

Use local investment institutions and opportunities; make your banker your adviser; patronize your local building and loan association, and your local savings bank; local real estate where you know conditions is a safer investment than distant property. If you do invest elsewhere use only established institutions such as investment houses which your local banker will recommend.

Plan a progressive investment program. Start savings in government savings stamps or in your local savings bank. When you have \$50 to invest, put it in a government bond. When you have \$500 to place, government bonds may still be your best choice, or some other safe bond that pays slightly more. Stop paying rent and begin buying a home, through partial payments to a building association, if necessary, thus capitalizing rent payments gradually into house ownership.

If you invest in securities, buy only safe investments such as high class bonds. The average man should not invest in stocks. Be content with a lower income from an established safe undertaking rather than chance your savings in untried enterprises. Government bonds will be the backlog to personal investment for the present generation. Hold all your own and buy more. Do not sell securities because of an emergency need for money; rather borrow on them as collateral and then save and reclaim your securities.

Do not invest in a friend's business. Friends should find accommodations through banks and other established channels; you should put out your money through similar channels. Do not involve your life insurance in business or other investments by borrowing upon it. By curbing your desire to speculate and investing only in safe enterprises you can certainly accumulate a competence. If you are not willing to take this safe path, adopt the safety first principle of keeping 75 per cent of your personal capital in safe investments and restrict speculative investment to the remaining 25 per cent of your accumulation.

Watch interest returns carefully. Do not lose possible interest, for exam-



ple, by withdrawals from a savings account before the interest date or by delaying deposits beyond that date. Redeposit interest as soon as received so as to compound it. Determine the actual yield upon the proposed investment and change investments when you can legitimately take advantage of an increased yield, but remember that a guaranteed average rate as on bonds is better than a possibly higher rate of interest as on stocks.

Take care of your securities. A safe deposit box is cheaper than possible loss. A written record of securities reviewed occasionally is a stimulus to increasing your investment. Follow expert advice but do not follow tips. Learn to discount fraudulent financial advertising.

THRIFT AND CONSERVATION

Things bought with money are a storehouse of services which they can render to their owner. Skill in earning, saving, investing and spending, does not completely guarantee economic well-being unless there is added to it intelligent and thrifty use of property owned. Thrift in the use of things excludes personal waste in consumption. War required the conservation of food and all objects of personal use, and such standards widely adopted and made permanent are an additional basis for individual welfare, since everyone wastes enough to provide some other thing desired but not yet secured.

Thrift demands the application to personal property of business standards for repairs and replacements necessary to maintain efficient service. For example, a car well kept up not only renders better service, dollar for

dollar, to its owner but maintains its investment value. Thrift requires the covering of possible loss by insurance as fire, burglar, and other types. Thrift in conservation emphasizes the importance of good quality in merchandise or other material things acquired. The cost per unit of service secured decreases as length of service increases.

APPENDIX

*Suggested Standard Budgets for Families and Individuals*

The following standard budgets were recently prepared under the general direction of the present writer for the Savings Division of the United States Treasury Department. The chief credit for them is due to Mrs. Alice P. Norton, editor of the *Journal of Home Economics*, who was ably assisted by Miss S. Maria Elliott of Simmons College. Acknowledgment should also be given for the advice and suggestions of many of the foremost home economists in the United States.

SUGGESTED FAMILY BUDGETS \$1,200  
TO \$5,000 A YEAR  
\$1,200 A YEAR—\$100 A MONTH

	Number in the family			
	Two	Three	Four	Five
Savings . . . . .	\$10	\$7	\$5	\$3
Rent . . . . .	16	16	16	16
Food . . . . .	27	34	41	48
Clothing . . . . .	13	14	15	15
Housekeeping expenses . . . . .	10	9	8	7
Church, charities . . . . .	6	5	3	1
Health, recreation, education . . . . .	10	8	6	5
Personal, miscellaneous . . . . .	8	7	6	5
Total for month	\$100	\$100	\$100	\$100

\$1,800 A YEAR—\$150 A MONTH

	Number in the family			
	Two	Three	Four	Five
Savings.....	\$27	\$21	\$15	\$10
Rent.....	20	20	22	22
Food.....	37	44	51	58
Clothing.....	20	20	21	22
Housekeeping ex- penses.....	11	12	12	12
Church, charities..	10	9	8	7
Health, recreation, education.....	12	12	10	10
Personal, miscel- laneous.....	13	12	11	9
Total for month	\$150	\$150	\$150	\$150

\$2,400 A YEAR—\$200 A MONTH

	Number in the family			
	Two	Three	Four	Five
Savings.....	\$48	\$40	\$31	\$21
Taxes (Federal in- come).....	2	1	..	..
Rent.....	25	25	27	27
Food.....	40	48	56	64
Clothing.....	22	25	28	30
Housekeeping ex- penses.....	18	20	20	20
Church, charities..	15	12	11	11
Health, recreation, education.....	14	14	13	13
Personal, miscel- laneous.....	16	15	14	14
Total for month	\$200	\$200	\$200	\$200

\$3,000 A YEAR—\$250 A MONTH

	Number in the family			
	Two	Three	Four	Five
Savings.....	\$65	\$53	\$40	\$30
Taxes (Federal in- come).....	5	4	3	2
Rent.....	30	30	35	35
Food.....	40	48	56	64
Clothing.....	30	33	36	39
Housekeeping ex- penses.....	25	30	32	32
Church, charities..	19	17	16	16
Health, recreation, education.....	18	18	16	16
Personal, miscel- laneous.....	18	17	16	16
Total for month	\$250	\$250	\$250	\$250

\$5,000 A YEAR—\$416.66 A MONTH

	Number in the family			
	Two	Three	Four	Five
Savings.....	\$125.66	\$105.66	\$90.66	\$76.66
Taxes (Fed- eral income)	15.00	14.00	13.00	12.00
Rent.....	50.00	50.00	60.00	60.00
Food.....	45.00	55.00	65.00	75.00
Clothing.....	45.00	50.00	55.00	60.00
Housekeeping expense....	50.00	60.00	63.00	65.00
Church, char- ities.....	36.00	33.00	27.00	25.00
Health, recre- ation, edu- cation....	25.00	25.00	22.00	22.00
Personal, mis- cellaneous..	25.00	24.00	21.00	21.00
Total for month..	\$416.66	\$416.66	\$416.66	\$416.66

SUGGESTED INDIVIDUAL BUDGETS \$15  
A WEEK TO \$1,800 A YEAR

\$15 A WEEK, OR \$65 A MONTH, OR \$780 A YEAR

	A week	A year
Savings.....	\$ .25	\$13.00
Room and board.....	8.00	416.00
Lunches.....	1.50	78.00
Carfare to business.....	.60	31.20
Clothing.....	3.00	156.00
Laundry.....	.45	23.40
Church, charities, gifts...	.20	10.40
Health, recreation, educa- tion.....	.75	39.00
Miscellaneous.....	.25	13.00
Total.....	\$15.00	\$780.00

\$17.30 A WEEK, OR \$75 A MONTH, OR \$900 A  
YEAR

	A week	A year
Savings.....	\$1.00	\$52.00
Room and board.....	8.00	416.00
Lunches.....	1.50	78.00
Carfare to business.....	.60	31.20
Clothing.....	3.50	182.00
Laundry.....	.50	26.00
Church, charities, gifts...	.50	26.00
Health, recreation, educa- tion.....	1.00	52.00
Miscellaneous.....	.70	36.40
Total.....	\$17.30	\$899.60
Balance for extra Thrift Stamps.....	.....	.40
		\$900.00

\$23.08 A WEEK, OR \$100 A MONTH, OR \$1,200 A  
YEAR

	A month	A year
Savings . . . . .	\$12.00	\$144.00
Federal income tax . . . . .	1.00	12.00
Room and board . . . . .	40.00	480.00
Lunches . . . . .	8.00	96.00
Carfare to business . . . . .	2.60	31.20
Clothing . . . . .	16.75	201.00
Laundry . . . . .	3.25	39.00
Church, charities, gifts . . . . .	4.40	52.80
Health, recreation, educa- tion . . . . .	8.00	96.00
Miscellaneous . . . . .	4.00	48.00
Total . . . . .	\$100.00	\$1,200.00

\$34.60 A WEEK, OR \$150 A MONTH, OR \$1,800 A  
YEAR

	A month	A year
Savings . . . . .	\$30.00	\$360.00
Federal income tax . . . . .	4.00	48.00
Room and board . . . . .	45.00	540.00
Lunches . . . . .	11.00	132.00
Carfare to business . . . . .	2.60	31.20
Clothing . . . . .	25.00	300.00
Laundry . . . . .	4.00	48.00
Church, charities, gifts . . . . .	10.00	120.00
Health, recreation, educa- tion . . . . .	12.00	144.00
Miscellaneous . . . . .	6.40	76.80
Total . . . . .	\$150.00	\$1,800.00